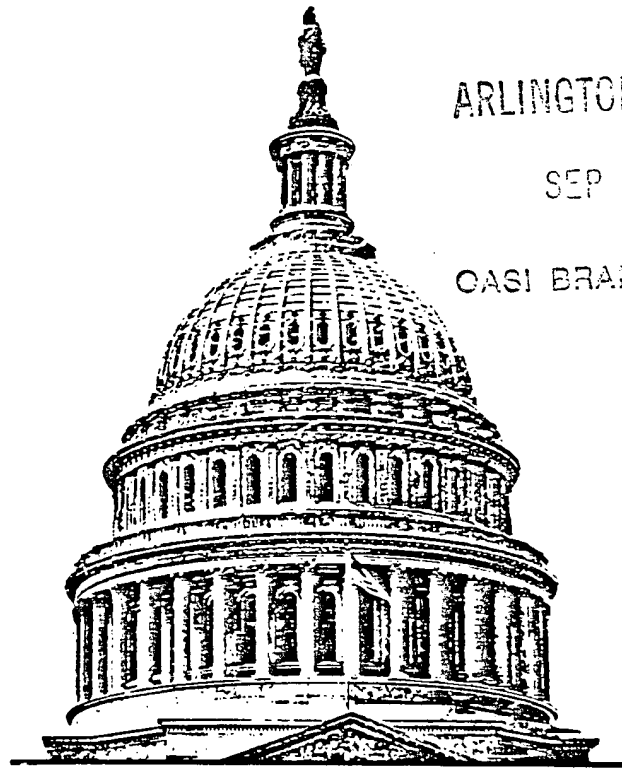


Social Security Amendments of 1983



ARLINGTON, VIRGINIA

SEP 9 1983

OASI BRANCH OFFICE

Amendment Summary



DEPARTMENT OF HEALTH AND HUMAN SERVICES
Social Security Administration
SSA Pub. No. 67-006
July 1983

Average Indexed Monthly Earnings (AIME)

Elimination of Windfall Benefits for Individuals Receiving Pensions from Noncovered Employment (Sec. 113)

A. Summary

The retirement or disability benefits of an individual entitled to a pension based on noncovered employment will be computed using a revised formula for determining the primary insurance amount (PIA). The revised formula substitutes 40 percent for the present law 90 percent factor. The reduction to 40 percent is phased in over a 5-year period under the following schedule:

3.1 years

<u>Initially Eligible for Retirement or Disability Benefits in</u>	<u>First Percentage Factor in Formula</u>
1986	80
1987	70
1988	60
1989	50
1990 or thereafter	40

First calculation AIME
90% of 15" 280
32% of 840-4691
15% of 4691

A guaranteed PIA is provided which is equal to the PIA under the present law formula less one-half of the pension amount that is attributable to noncovered employment after 1956.

Individuals receiving an annuity under the Railroad Retirement Act, as well as certain other pension plans are exempt. In addition, individuals who have at least 30 years of Social Security coverage (as defined under the regular year-of-coverage rules used in determining the special minimum benefit) are exempt from the windfall provision.

The provision includes exemptions for certain groups, including most current Federal or nonprofit employees who become newly covered under Social Security effective January 1984. There is also a phase in of the new first percentage factor in the benefit formula depending upon how many years of coverage the person has. This factor is used if it is greater than the factor that is otherwise applicable. The schedule is as follows:

<u>Years of Coverage</u>	<u>First Percentage Factor in Formula</u>
29	80
28	70
27	60
26	50

B. Effective Date

The windfall provision applies to individuals who are first eligible for retirement or disability benefits, and for a pension from noncovered employment after December 31, 1985.

C. Purpose

This provision is designed to reduce the higher replacement of earnings in the first bracket of the benefit formula for workers whose covered earnings are artificially low because most of their employment is noncovered. The higher replacement rate is intended to apply to workers with low earnings over their working life.